



Iowa Department of
Administrative Services
Human Resources Enterprise

State of Iowa

Retirement Investors' Club



Looking forward to retirement!



Looking forward to retirement with RIC

- What is RIC?
- How should I invest?
- When can I have my money?
- How do I make changes?



Looking forward to retirement with RIC

- **What is RIC?**
- How should I invest?
- When can I have my money?
- How do I make changes?



What is RIC?

- Definition
- 457 employee contributions
- 401(a) employer match contributions
- Providers and investments





What is RIC?

Definition

The **Retirement Investors' Club (RIC)** is a *voluntary* retirement savings program designed to:

- supplement your pension & social security benefits
- reduce current income taxes and defer taxes on earnings





What is RIC?

Employee contributions

pretax deductions are taken from your paycheck & deposited into your selection of investments in your 457 account (minimum of \$25/month)



IRS 2009 Contribution Limits

Regular 100% of compensation up to:	\$ 16,500
Age 50+* the regular limit + \$5,500:	\$ 22,000
3-year Catch-up up to twice the regular limit	\$ 33,000

*50+ Catch-Up cannot be used at the same time as the 3-Year Catch-Up



What is RIC?

Final paycheck contribution

Participants may defer **regular, vacation, and unused sick pay** (\$2,000) from their final paycheck, up to the annual limit.

IRS Contribution Limits

Regular 100% of compensation up to:	\$ 16,500
Age 50+* the regular limit + \$5,500:	\$ 22,000
3-year Catch-up up to twice the regular limit	\$ 33,000

pretax deductions

are taken from your paycheck & deposited into your selection of investments in your 457 account (minimum of \$25/month)





What is RIC?

3-Year Catch-Up qualifications

You may qualify to use all or part of the 3-Year Catch-up limit if:

- **You have not contributed the maximum** IRS contributions every year since 1979 (during your employment)

Request a worksheet from the RIC office if you think you may qualify





What is RIC?

3-Year Catch-Up qualifications

You may qualify to use all or part of the 3-Year Catch-up limit if:

- **You have not contributed the maximum** IRS contributions every year since 1979 (during your employment)
- **You are within 3 years** of reaching a year that you qualify for full pension benefits without an age reduction

IPERS- Rule of 88, Rule of 62/20 or age 65

POR- Age 55 & 22 years of service

Request a worksheet from the RIC office if you think you may qualify





What is RIC?

Final paycheck contribution

Participants may defer **regular, vacation, and unused sick pay** (\$2,000) from their final paycheck, up to the annual limit.

pretax deductions

are taken from your paycheck & deposited into your selection of investments in your 457 account (minimum of \$25/month)



- You or your PA can enter your desired deduction amount into the **Gross/Net Calculator** to verify accuracy after FICA, etc.



What is RIC?

Gross to Net calculator

----- KEY INFORMATION -----				----- CONTROLS INFORMATION -----			
LAST NAME EMPLOYEE				PP IN MONTH: 1		FILING STATUS: S	
FIRST NAME STATE				----- DEDUCTION INFORMATION -----			
SOCIAL SECURITY: 888-88-8888				FEDERAL WH.: 000		0.00	251.16
EMPLOYEE NUMBER: 88888				STATE WH...: 01 000		0.00	71.38
----- EARNINGS INFORMATION -----				OASDI.....: Y			111.14
	ELIG	HOURS	EARNINGS	MEDICARE....			25.99
REGULAR.....	80.00		1,809.60	RETIREMENT.: EXMPT N PLAN 1			70.57
OVERTIME....	2	0.00	0.00	HEALTH INSC: PLAN UN600			0.00
HOLIDAY OVT: 2		0.00	0.00	DENTAL INSC: PLAN DN600			17.00
OTHER PAY...:			0.00	LIFE INSC...: PLAN HJ			0.00
*PAY NOT SUBJ TO RETIRE:			0.00	CR UNION....		0.00	0.00
TAXABLE EXP:			0.00	CHAR ORG....: 0		0.00	0.00
PRETAX: Y PRETAX DATE:			04/17/1995	DEF COMP....: PP 3		75.00	75.00
FED TAX STATUS.: 1				EMP ORG DUE:			0.00
HOURLY RATE.....			22.62	FSA/HEALTH.:		0.00	0.00
				FSA/DEPC....		0.00	0.00
				*OTHR DEDUCT:		0.00	0.00
ANNUAL GROSS....			47,049.60	*SEE HELP SCREEN			
GROSS PAY.....			1,809.60	NET PAY.....			1,187.36



What is RIC?

Final paycheck contribution

pretax deductions

are taken from your paycheck & deposited into your selection of investments in your 457 account (minimum of \$25/month)



- You or your PA can enter your desired deduction amount into the Gross/Net Calculator to verify accuracy after FICA, etc.
- Submit the deduction amount for your last paycheck on the *RIC Account Form* **no later than your last day of employment.**



What is RIC?

Employer match contributions

pretax deductions
are taken from your
paycheck & deposited
into your selection of
investments in your 457
account (minimum of
\$25/month)



pretax contributions
from your employer are
deposited into your
selection of investments in
your 401(a) account (does
not reduce your 457
contribution limit)



What is RIC?

Employer match contributions

No vesting requirements!

pretax deductions

are taken from your paycheck & deposited into your selection of investments in your 457 account



pretax contributions

from your employer are deposited into your selection of investments in your 401(a) account (

You may select different or the same investments for each account if you wish.



What is RIC?

Employer match contributions

The State contributes \$1.00 for every \$2.00 you contribute, up to the maximum monthly match amount of \$75.



THAT'S FREE MONEY!

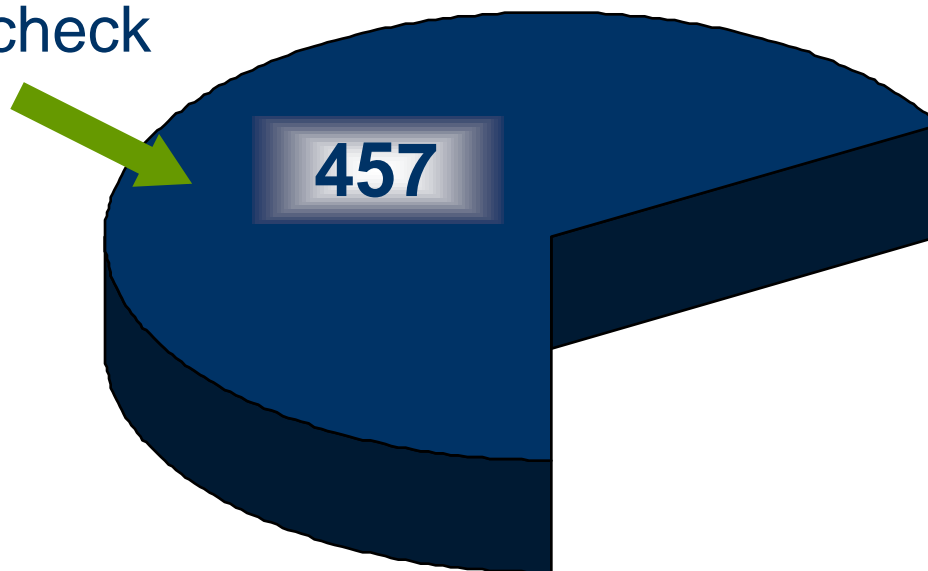
You must be contributing in a month to get that month's match contribution



What is RIC?

Example

You contribute
\$150/mo* from
your paycheck
pretax



* For illustrative purposes only. Monthly contribution may be as little as \$25/mo.

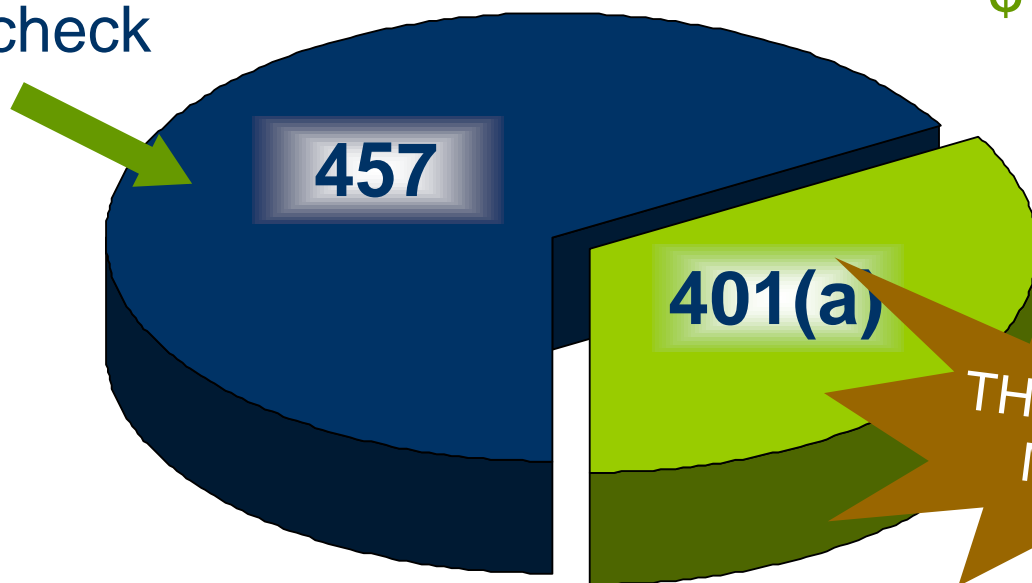




What is RIC?

Example

You contribute
\$150/mo* from
your paycheck
pretax



Employer
contributes
\$75/mo pretax

THAT'S FREE
MONEY!

* For illustrative purposes only. Monthly contribution may be as little as \$25/mo.



What is RIC?

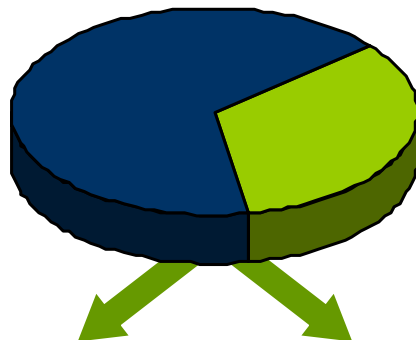
Example

This example results in \$225/month for you to invest in one or many investments best suited for your goals.



low risk

fixed rate accounts,
money market fund



medium to high risk

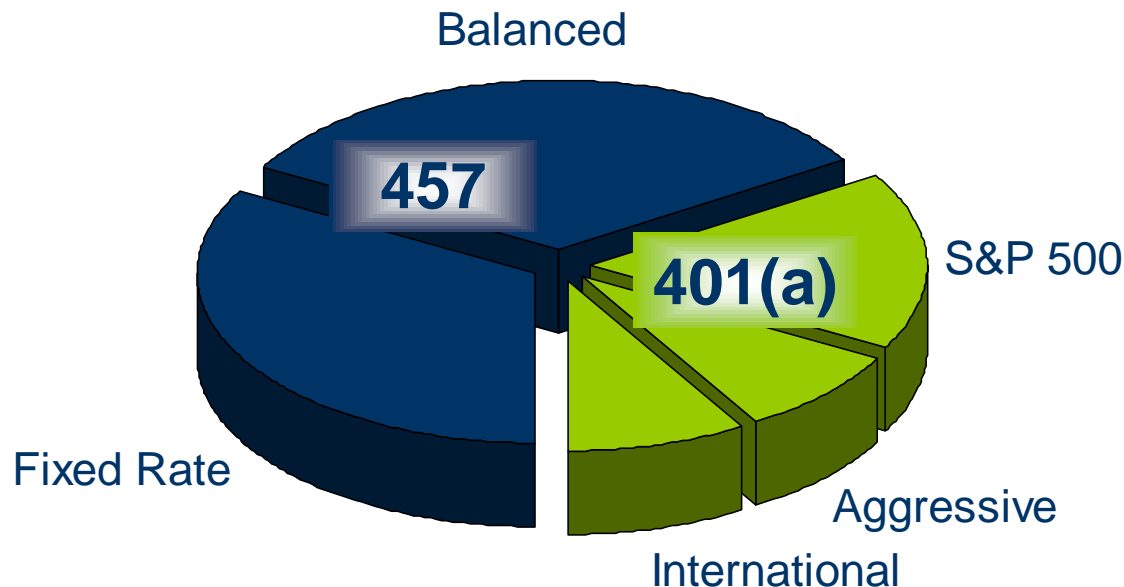
bond funds target date funds
US funds stock funds
international funds balanced funds

You may invest in one or any combination of investments



What is RIC?

Example



457-\$200/month

- 50% Balanced (\$100/mo)
- 50% Fixed Income (\$100/mo)

401(a)-\$75/month

- 50% S&P 500 (\$32.50/mo)
- 25% Aggressive (\$16.25/mo)
- 25% International (\$16.25/mo)

For illustrative purposes only-not a recommended investment portfolio



What is RIC?

Rollovers into RIC

Roll your previous government employer 457 plan into your RIC 457

Roll your previous private employer plan or IRA into your RIC 401(a)

pretax deductions
are taken from your paycheck & deposited into your selection of investments in your 457 account



pretax contributions
from your employer are deposited into your selection of investments in your 401(a) account



What is RIC?

RIC Providers

Investments are offered by **4 RIC providers**



- All providers have an A+ credit rating or higher
- All offer a variety of investments for diversification.
- None of the providers have surrender charges





What is RIC?

RIC Providers

These providers meet competitive bid requirements and undergo annual investment reviews. Each is required to have an A+ credit rating or higher.



- Guaranteed Rates
- 18 Mutual Funds
- 5 Target Date Funds
- Investment planning tools
- Local Representatives
- Self-Directed Brokerage Option*

- Guaranteed Rates
- 23 Variable Annuity Funds
- 5 Target Date Funds
- Investment planning tools
- Local Representatives
- Self-Directed Brokerage Option*

- Guaranteed Rates
- 19 Mutual/Variable Annuity Funds
- 5 Target Date Funds
- Investment planning tools
- Local Representatives
- Self-Directed Brokerage Option*

- Guaranteed Rates
- 16 Mutual Funds
- 5 Target Date Funds
- Investment planning tools
- Self-Directed Brokerage Option*

*\$50 annual fee and possible transaction costs. May buy & sell individual securities.

Looking forward to retirement with RIC

- What is RIC?
- **How should I invest?**
- When can I have my money?
- How do I make changes?



How should I invest?

- Risk tolerance
- Timeframe
- Goals/Reallocation
- Total investment mix
- Diversification





How should I invest?

Your risk tolerance

Determine **how much risk** you can tolerate.

- Each provider has **representatives** to help you determine what kind of investor you are.
- Each provider has a **variety of tools** to help you determine your risk tolerance and educate you on the investments most appropriate for your investment style and savings needs.





How should I invest?

Investor profile sample

Financial Goals

1. I do not need current income. I'm interested in long-term growth.
2. I have savings for large expenses.
3. I am concerned about the effects of inflation on my investments.

Risk Tolerance

4. I can tolerate sharp ups & downs in the value of my investments.
5. I prefer an investment that has a 50% chance of losing 5% & a 50% chance of gaining 20% in one year, to an investment that guarantees a 5% return.
6. I am comfortable with investment that drop sharply in value.
7. I am willing to take risks associated with stocks to beat inflation.
8. I know about the risks and potential returns of stock investments.

Time Horizon

9. In how many years will you use your money? 15+, 10+, 5+, Less than 5
10. I am willing to wait 10 years to see the returns I expect.

Aggressive/ Moderately aggressive/ Moderate/ Moderately conservative/
Conservative



How should I invest?

Your risk tolerance

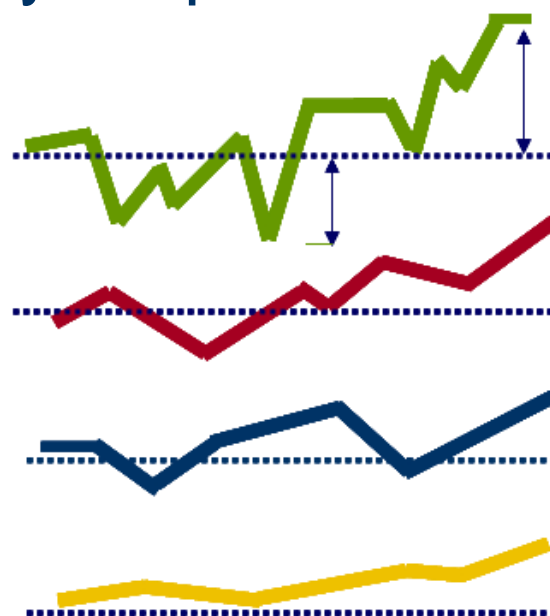
Be aware of the amount of risk associated with various investments. Ask your provider to help.

sm co stock funds, int'l funds

lg co stock funds, growth & income funds

corp bond funds, income funds, balanced funds

US gov't bond funds, fixed rate accounts, money mkt funds



US treasury bonds, CD's or money markets at an FDIC insured bank, savings bonds, savings, checking





How should I invest?

Your timeframe

Determine **how much time** your money has to stay invested.

- If you need your money **immediately**, your investments will need to be liquid without risk.
- If you **will not use** some or all of your money **for a few years**, the portion of money not being used will need growth potential to keep its principal value over time.

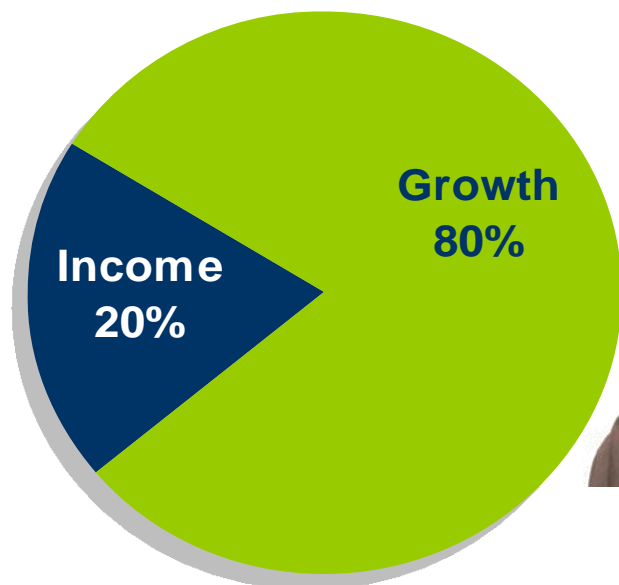




How should I invest?

**Your
goals**

Determine **what goals** you intend your money to meet. As your goals and needs change...



Growth portfolio

For illustrative purposes only.

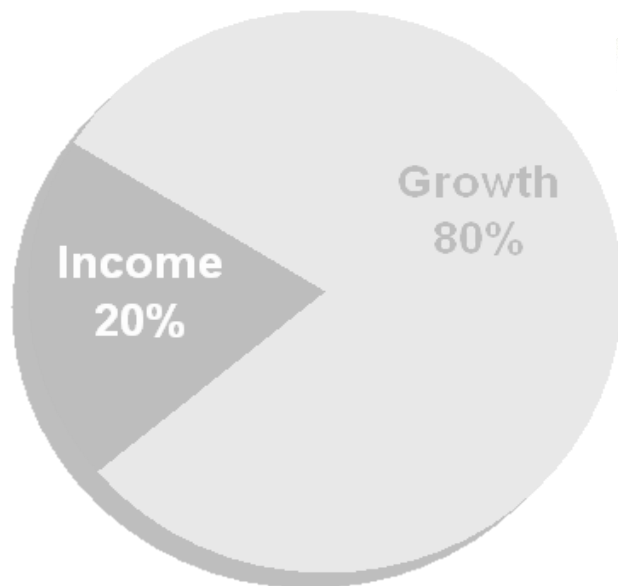




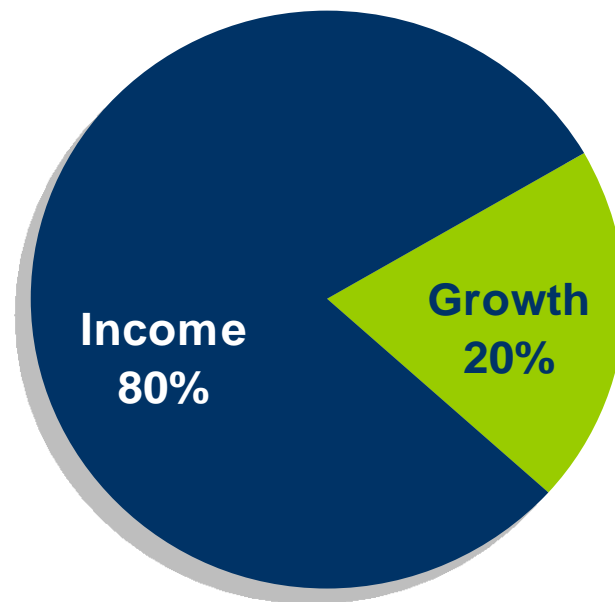
How should I invest?

Your
goals

...you may need to **reallocate** your investments



Growth portfolio



Income portfolio

For illustrative purposes only.



How should I invest?

Investment reviews

Review your investment mix. Ask your provider to help!

- at least annually
- when your goals change
- when investing or reallocating other savings dollars
- when investment knowledge grows/your risk level changes
- periodically in retirement





How should I invest?

Investment reviews

Review your investment mix periodically. Ask your provider to help!

Money market at bank
Credit Union savings account
CD at bank
Savings bonds in safety deposit box
Annuity with insurance company
RIC account
IPERS
IRAs
Spouse's 401(k)
Stocks in a brokerage account
Mutual funds at investment firm

Consider your
total invested
assets





How should I invest?

Diversify

- Principal protection
- Fixed Income funds
- Balanced funds
- Core stock funds
- Aggressive stock funds
- International funds
- Alternative investments
 - Target date funds
 - Self-directed brokerage

**Diversify to
spread risk and
maximize returns**



Looking forward to retirement with RIC

- What is RIC?
- How should I invest?
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- How do I make changes?



Show me the money!

- Payment eligibility
- Options at termination
- Taxable payment options





Show me the money!

Payment eligibility

- While working
 - At age 70½ (even if employed)
 - For an approved financial hardship
 - Cash out provision
 - For beneficiaries at your death
 - For service credit purchase





Show me the money!

Payment eligibility

- While working

At age 70½ (even if employed)

For an approved financial hardship

Cash out provision

For beneficiaries at your death

For service credit purchase





Show me the money!

Service credit purchase

- If you have verified with IPERS that you are able to purchase credits, you may use pretax money (such as RIC, IRA, 401(k)) for the purchase.
- This is called a plan-to-plan transfer and is nontaxable.





Show me the money!

Payment eligibility

- While working
 - At age 70½ (even if employed)
 - For an approved financial hardship
 - Cash out provision
 - For beneficiaries at your death
 - For service credit purchase
- At retirement *or* termination from State employment





Show me the money!

Options at termination

Once **terminated from service** you may...

- Stay invested in RIC
- Rollover your account
- Take a taxable payment





Show me the money!

Options at termination

Once **terminated from service** you may...

- Stay invested in RIC
- Rollover your account
- Take a taxable payment





Show me the money!

Stay invested in RIC

- Contributions and earnings stay tax-deferred
- Changes may be made at any time*
- Assets remain liquid with no restrictions or fees for distributions
- No future contributions may be made
- Rollovers *into* RIC are allowed at anytime



*Inactive providers may have restrictions



Show me the money!

IRS required distribution

- Let your money grow and take required payments at age 70 ½





Show me the money!

IRS required distribution

- Let your money grow and take required payments at age 70 ½
- The IRS requires payments begin no later than the April following the year you turn age 70½*

*age 70½ or retirement, whichever is latest





Show me the money!

IRS required distribution

- Let your money grow and take required payments at age 70 ½
- The IRS requires payments begin no later than the April following the year you turn age 70½*
- **50% penalty** if you fail to take distribution on time

*Age 70½ or retirement, whichever is latest





Show me the money!

Options at termination

Once **terminated from service** you may...

- Stay invested in RIC
- Rollover your account
- Take a taxable payment





Show me the money!

Rollover option

- Roll to an IRA or other employer plan
(be aware of possible termination fees)
- Your assets stay tax-deferred

But...





Show me the money!

Rollover option

- Roll to an IRA or other employer plan
- Your assets stay tax-deferred



- Investments outside of RIC may be **more costly or restrictive**
- 457 assets have **no age limitation** for distributions - IRAs & 401ks do





Show me the money!

Options at termination

Once **terminated from service** you may...

- Stay invested in RIC
- Rollover your account
- Take a taxable payment





Show me the money!

Taxable distributions

Once terminated from service, cash payments are...



- Taxed as ordinary income
- No IRS age limitation



Show me the money!

Taxable distributions

Once terminated from service, cash payments are...



- Taxed as ordinary income
 - Not subject to IRS age limitation
- Taxed as ordinary income
 - Subject to IRS 10% penalty prior to age 59 ½



Show me the money!

Taxable distribution options



- **Lump sum payment**
- **Systematic payments**
- **Lifetime annuity** (most restrictive)

- mandatory 20% federal withholding
- the 401(a) match account is subject to an IRS 10% penalty if withdrawn before age 59½





Show me the money!

Taxable distribution options



- **Lump sum payment**
- Systematic payments
- Lifetime annuity (most restrictive)

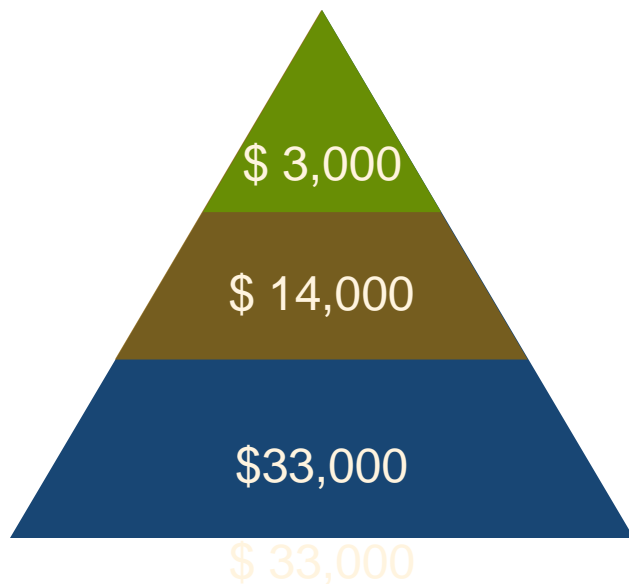







Show me the money!

Lump sum tax liability

You may choose to take all or part of your money at anytime with no restrictions or fees.



RIC account = \$ 50,000

-  6% state withholding
-  28% federal withholding
-  what you receive

The 401(a) match account is subject to an IRS 10% penalty if withdrawn before age 59½



Show me the money!

Taxable distribution options



- Lump sum payment
- **Systematic payments**
- Lifetime annuity (most restrictive)





Show me the money!

Systematic payments

Systematic payments may be cancelled or changed at anytime.

- **Specific \$ amount or %**

\$200/mo

\$2,000/quarter

10%/year





Show me the money!

Systematic payments

Systematic payments may be cancelled or changed at anytime.

- **Specific \$ amount or %**

\$200/mo

\$2,000/quarter

10%/year

- **Specific time period**

\$50,000

→ \$2,500 for 20 years

→ \$5,000 for 10 years

→ \$10,000 for 5 years





Show me the money!

Taxable distribution options



- Lump sum payment
- Systematic payments
- **Lifetime annuity** (most restrictive)





Show me the money!

Lifetime payments

Lifetime payments (most restrictive)

Provide you with lifetime payment that is an even distribution of your account balance based on...

your **single life** expectancy

joint life expectancies of you and your survivor





Show me the money!

Single lifetime benefit

Payments continue for your lifetime even if you exhaust your account value

- May be suitable for those who have longevity in their family, limited income sources, and/or no beneficiaries
- Your payments stop at death





Show me the money!

Single lifetime example

- RIC account value: \$100,000
- Life expectancy: 18 years

at age 65, the insurance company predicts you will live to be age 83

Income Benefit: \$9,006.00/yr





Show me the money!

Single life example

What if you live to
be age 95?

Your lifetime benefit

\$270,180.00

(\$9006 x 30 years)

You lived longer than
predicted - the system
worked in your favor





Show me the money!

Single life example

What if you live to
be age 95?

Your lifetime benefit

\$270,180.00

(\$9006 x 30 years)

You lived longer than
predicted - the system
worked in your favor

What if you live to
be age 70?

Your lifetime benefit

\$45,030.00

(\$9006 x 5 years)

Your balance of more
than \$55,000 will go to
the insurance company





Show me the money!

Joint life & survivor

- Provides income for your lifetime and the lifetime of your designated survivor
- This option may be best suited for those who have longevity in their (or their survivor's) family and/or limited income sources





Show me the money!

Joint life example

- RIC account value: \$100,000
- Life expectancy: 27 years

based on combined life expectancy of the you and your survivor

Income benefit:

\$7,600.00/yr





Show me the money!

Joint life example

- If your survivor dies before you, you will continue to receive the *joint rate* of \$7,600 per year
- Upon your death, the unused portion of your account will go to the insurance company





Show me the money!

Distribution requests

- To request an **in-service** distribution, complete an RIC Distribution Form.
- To request a distribution (taxable or nontaxable) **after you terminate** from employment, contact your provider directly. You do not need state involvement or signatures to receive your money.



Looking forward to retirement with RIC

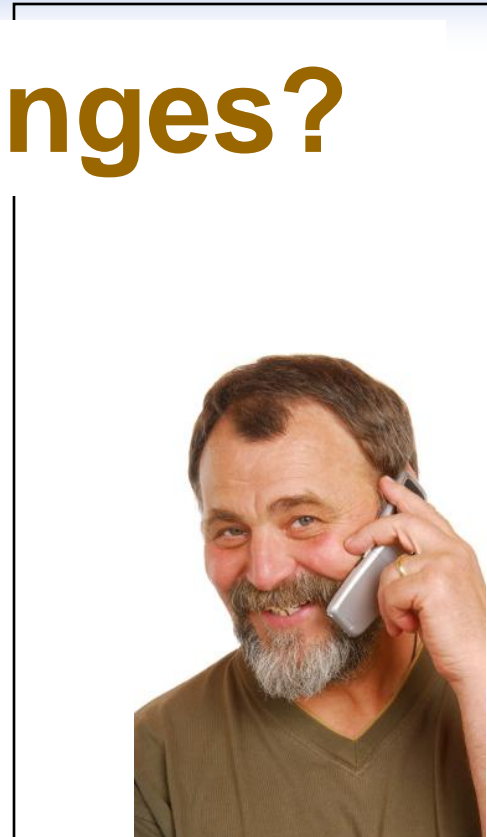
- What is RIC?
- How should I invest?
- When can I have my money?
- **How do I make changes?**



How do I make changes?

You may change the following at any time:

- Payroll deduction amount
- Providers/investments
- Personal/beneficiary info
- Distributions options





How do I make changes?

Deduction changes

To change your payroll deduction amount...
complete the State's **RIC Account Form** and return it
to your personnel assistant or the RIC office



look
forward to
retirement!

Iowa Department of Administrative Services
Retirement Investors' Club (RIC)

RIC Account Form

Personal Information

Employee ID# is only required if submitting form electronically.

Enter last 4 digits of SSN if submitting electronically.

Name _____ Social Security # _____
Last First MI Electronic submission requires last 4 digits only
Birth Date _____ Agency/Dept _____ Employee ID # _____
Required for electronic submission only
Address _____ City _____ State _____
Telephone (work) _____ Telephone (home) _____ Zip _____

457 Payroll Deduction

Designate the deduction amount to send to your provider

AIG Retirement \$ _____ /Month
Hartford \$ _____ /Month
ING \$ _____ /Month
Nationwide \$ _____ /Month
_____ \$ _____ /Month

Designate which paycheck(s)

- ☐ 1st paycheck of each month
☐ 2nd paycheck of each month
☐ 1st & 2nd paycheck (equally divided) each month
☐ Final paycheck _____
paycheck date
☐ 1 paycheck only _____
paycheck date



How do I make changes?

**Other
changes**

Contact your **provider** to change...

- your investment selection (or online 24/7)





How do I make changes?

Allocation changes

Original mix:

Fixed rate account 20%

S&P 500 fund 50%

Small co fund 20%

International fund 10%





How do I make changes?

Allocation changes

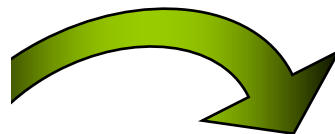
Original mix:

Fixed rate account 20%

S&P 500 fund 50%

Small co fund 20%

International fund 10%



New mix:

Fixed rate account 50%

Balanced fund 50%

You may redirect all of your money or just future contributions. There is no cost to transfer. These changes must be made by either logging onto your provider accounts online or by calling your provider.





How do I make changes?

Other changes

Contact your **provider** to change...

- your investment selection (or online 24/7)
- personal information
- beneficiary designations
- distributions at termination of employment



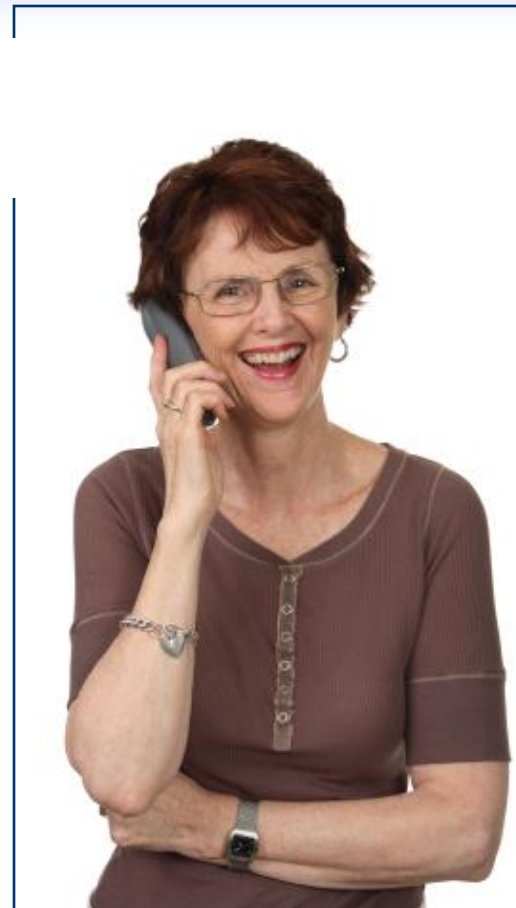
Words of advice

- Call your provider if you have any questions about reviewing your quarterly **statement information**
- Take an **investment course**; many are free
- Access your account **online**
- Review the **RIC website**



How do I enroll?

- Call a provider
- Schedule an appointment
- Choose your investments
- Complete the applications





How do I enroll?

**Call a
provider**

Request an RIC ***Investment Provider Summary****

- **Call a provider** and tell them you are a State of Iowa employee and need to open a new account

AIG Retirement



Nationwide
Retirement Solutions

*The RIC Investment Provider Summary is available online or by calling our office at 515-242-6846.



How do I enroll?

**Call a
provider**

Request an RIC *Investment Provider Summary*

AIG Retirement



 **Nationwide**
Retirement Solutions

- **Call a provider** and tell them you are a State of Iowa employee and need to open a new account
- **Schedule for a meeting** with an investment representative at your location and/or enrollment information by mail

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How do I enroll?

**Call a
provider**

Request an RIC *Investment Provider Summary*

AIG Retirement



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- **Call a provider** and tell them you are a State of Iowa employee and need to open a new account
- **Schedule for a meeting** with an investment representative at your location and/or enrollment information by mail
- **Select investments-** let the provider representative help you

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How do I enroll?

**Call a
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Request an RIC *Investment Provider Summary*

AIG Retirement



 **Nationwide**
Retirement Solutions

- **Call a provider** and tell them you are a State of Iowa employee and need to open a new account
- **Schedule for a meeting** with an investment representative at your location and/or enrollment information by mail
- **Select investments-** let the provider representative help you
- **Complete applications**





How do I enroll?

Provider services

Be sure to ask the providers...

- for a one-on-one **meeting** at your location
- for **investment information** and education
- for investment **planning tools** to determine how much you need to save and what investments may be appropriate
- how to make **changes**, increase contributions or roll money into RIC





How do I enroll?

Call me!

- Call me if you need help!
- Don't hesitate for any reason!
- You deserve that MATCH!!



Questions?

- Review the RIC website
www.das.hre.iowa.gov/ric.html

- Contact the providers



- Call the RIC office at 515-242-6846
- Email me robbie.stoecker@iowa.gov